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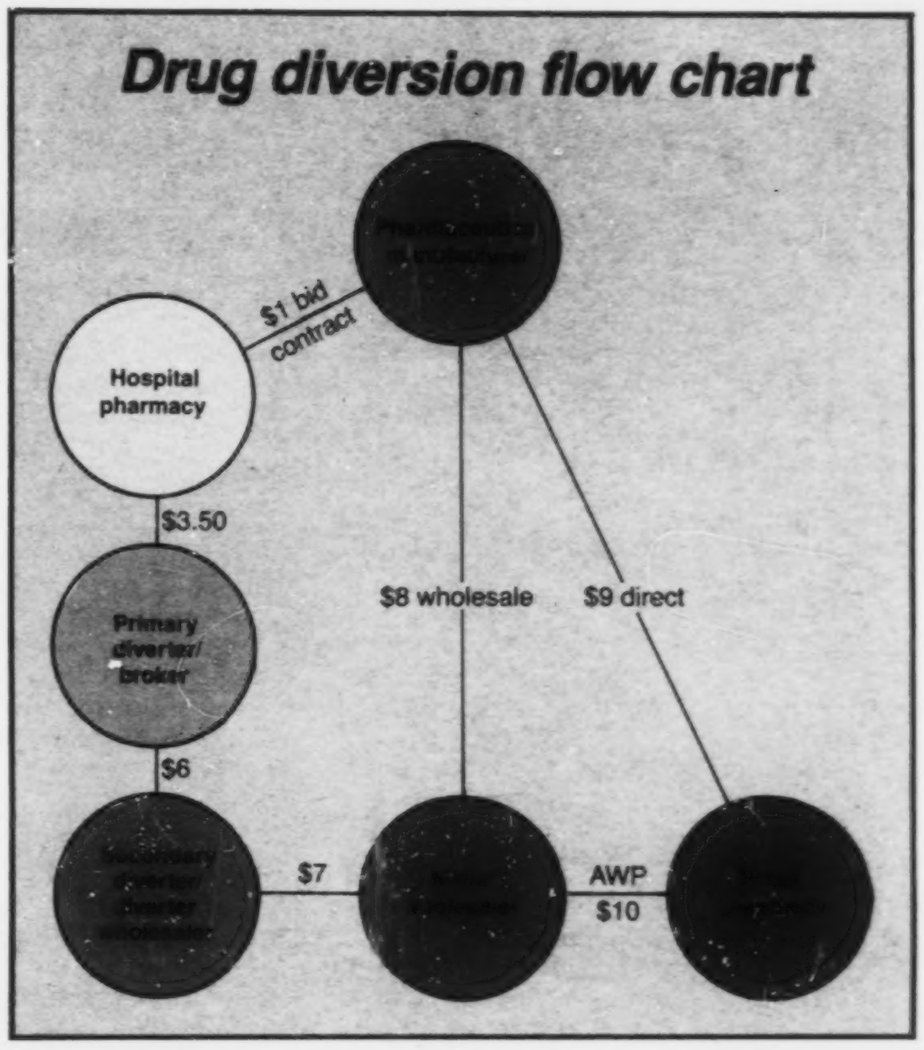
DRUG STORE NEWS

Vol. 7/No. 18 **Serving chains, wholesalers and high-volume independents for 56 years.** Published by Lebhar-Friedman Inc. August 19, 1985



Dingell's subcommittee drew this picture of a typical diversion flow chart. Retailers and wholesalers who buy direct from the manufacturer pay 800% and 900% more than not-for-profit hospitals. The result: Hospitals divert some goods into the wholesale/retail market.

Bindley execs, 40 others charged in FBI drug probe

ATLANTA — The FBI and the Georgia U.S. Attorney's Office, in the process of investigating what agents call one of the largest drug diversion schemes in U.S. history, has charged 43 individuals, including three former Bindley Western execs and one former Lawrence Pharmaceutical exec, with various charges of fraud in the acquisition of diverted pharmaceuticals.

Another 40 individuals and companies, including possibly major wholesale and retail drug chains, are still being investigated, according to Georgia U.S. attorney Larry Thompson.

In what seems to be a related move, Jack Laughner, the exec vp for Bindley Western and a company director, has resigned.

In a prepared statement Bindley has acknowledged that it is being investigated, for among other things the company's purchase of pharmaceuticals from secondary suppliers, and the personal involvement of company personnel in such activities.

The three Bindley executives named in the Atlanta charges had previously been fired by the company. The three are: Mike Gemmill and Steve Asher, both vice presidents, and Harry Nail, a sales manager.

Also named were Ed Barnwell Jr., a former vice president for Lawrence Pharmaceuticals, and James Wilson, a pharmacist for Drug Emporium.

They were charged with one or more of the following: mail fraud, wire fraud and misbranding drugs.

A total of nine pharmacists were named in the first wave of charges, as well as 11 physicians, 19 wholesaling executives and four manufacturers' sales reps.

Continued on page 37

Execs to Congress: pricing is problem, not counterfeit drugs

NEW YORK — Chain drug executives, worried that a Congressional subcommittee's preliminary report on drug diversion is going to frighten the American consumer because of its strong emphasis on the threat of drug counterfeiting, are calling for a more balanced presentation of the problem.

Retailers accuse Congressional staffers for Rep. John Dingell, chairman of the House subcommittee on drug diversion, of making allegations that frighten consumers without proof that a dangerous situation exists.

They are also urging manufacturers to eliminate the two-tiered pricing policies that they said leads to diversion.

"Multitiered pricing that leads to abuse of the discounted prices that manufacturers allow for nonprofit institutions are the root cause of the problem," says Bob Bolger, president of the National Association of Chain Drug Stores. "Eliminate multitiered pricing and you'll eliminate diversion."

Continued on page 37

McKesson beefing up distribution

SAN FRANCISCO — McKesson Corp., which has made three major wholesaling acquisitions in the past four months, plans to further strengthen its wholesale division in fiscal 1986 by investing $37 million in six additional "state of the art" distribution facilities.

The $37 million construction costs will be spread over a three-year period and will result in a total of six new facilities for McKesson, each in the 275,000- to 300,000-sq.-ft. range.

Over the course of the past five years, McKesson opened 12 new distribution centers at a cost of $41 million.

In addition, the company has been acquiring smaller wholesalers at a dramatic rate both inside and outside the drug wholesaling arenas. Since April, McKesson has acquired Spectro Industries of Jenkintown, Pa.; Mass Merchandisers Inc. in Arkansas and S-P Drugs of Brooklyn.

Tom Field, McKesson's coo and president told stockholders at the company's annual meeting here last month that the various businesses that McKesson has acquired in the past fiscal year have added a total of $24 million in sales to McKesson's revenue base. He went onto say McKesson's share in the drug wholesaling

Continued on page 38

TE NEWS....LATE NEWS....LATE NE

WHITE DRUG ENTERPRISES, the 39-store drug chain with headquarters in Jamestown, N.D., has been taken off the selling block by its parent company, Drug Systems Inc. Company sources said that negotiations between the chain and prospective buyers have been terminated for undisclosed reasons.

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Rite Aid rolls out scanners chainwide

By Bruce Buckley

SHIREMANSTOWN, Pa. — Rite Aid Corp. has begun a chainwide rollout of one of the most sophisticated new in-store computer systems in the retail drug industry.

Rite Aid, which operates more than 1,300 drug stores, expects to complete the installation at a rate of about 50 new stores a month.

The system, designed by Bensalem, Pa.-based SASI (Stores Automated Systems Inc.), integrates point-of-sale scanning cash registers with a powerful computer located in each store manager's office.

A separate pharmacy computer system with its own central processing unit is also linked to the central computer in the manager's office.

According to Duane Ruble, senior vp, Rite Aid anticipates that scanning alone will generate an overall saving of one-half to three-quarters of a percentage point, mainly from the labor savings in eliminating item price marking and from weeding out cashier ring-up errors.

That is not a negligible saving for a company whose drug stores generated almost $1.3 bil-

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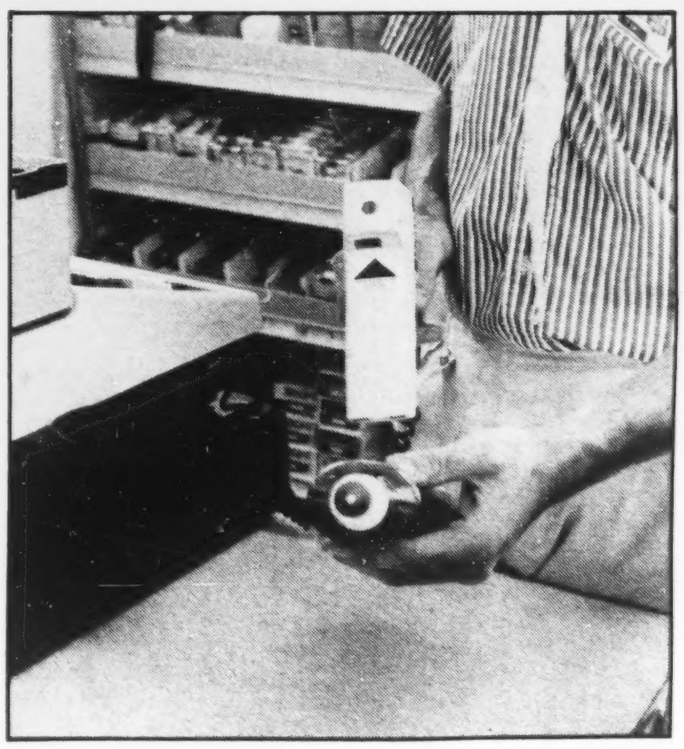

Faster checkout has not been a big factor in Rite Aid's scanning system, but price accuracy has.

Technology trends

Fay's tries POS scanning in Westvale, N.Y.

LIVERPOOL, N.Y. — Fay's began testing a computerized point-of-sale scanning system in a store in Westvale, N.Y., last week.

There are no plans to unroll such a system chainwide, but Fay's will be evaluating the checkout scanners for at least six months to see if it would be feasible in other locations.

Its success will depend on whether cost savings can be derived from improved inventory tracking and faster checkout times.

"Scanning will develop slowly because it's a mammoth undertaking," said Kandy Daley, director of pharmacy systems, who is overseeing the installation of the system. "We are at the wait and see stage," she stressed.

The store is equipped with seven computerized registers. The front-end register has a $3,000 NCR 2126 slot scanner while the others have less costly $950 hand-held scanners. Fay's bought the equipment outright. The total cost of installation was $10,000, said Daley.

At store level all of the information from the registers will be stored in a Decision Mate Five computer. Later, Fay's plans to install a communications hookup between the in-store registers and an IBM-38 computer at corporate headquarters.

Before the scanning system could be installed, the number of items requiring universal product codes had to be tallied. About 20,000 products required the code and 65% of them already were coded. The remaining merchandise, which included store-brand products, then had to be coded with a corporate UPC number.

After the coding was completed, all of the items had to be keyed into a computer file, a time-consuming task, noted Daley.

The Westvale store was chosen as a scanning site because it is an average 13,000-sq.-ft. store where the mid-range sales volume would not be likely to overtax the untested system. In addition, the store manager was eager to experiment and the store's proximity to Liverpool, N.Y., the headquarters of the 129-unit chain, made it an even more desirable site, said Daley.

In New York, the fate of computerized point-of-sale scanning in drug stores will depend on the extension of a state law stipulating that all merchandise in certain retail establishments must be price marked.

Although this law, which expires at the end of 1985, is primarily directed at food and mass merchandise retailers, Daley said that Fay's legal counsel felt that it might eventually affect drug stores. Consequently, scanning would not be financially feasible if all items in a drug store had to be price marked, said Daley.

NEWS IN BRIEF

Medi Mart launches two units

BOSTON, Mass. — Medi Mart Drug Stores opened its 64th and 65th stores simultaneously on Saturday, Aug. 10. The new stores are located in Enfield, Conn., and Wakefield, Mass. The stores feature the chain's new bold and colorful graphics package and new planogramming, including wider aisles. The Wakefield store also has a small convenience food department featuring bakery and dairy products, frozen foods, snacks and drinks.

Begley sales up in 1st quarter

RICHMOND — Begley company reported an increase in sales and net profits for the first quarter ended June 30. Sales climbed 6% and earnings 9% compared to the same period last year. During the quarter the company opened one drug store, one home health care center and five dry cleaning stores. Begley now operates 43 drug stores and six home health care units. Robert Begley, chairman and president, said the company plans on opening two more home health care centers by the end of the year.

Commtron acquires Cibcoa

LOS ANGELES — Bergen Brunswig Corp. has announced that its wholly owned subsidiary, Commtron, a leading distributor of prerecorded video tapes, has signed an agreement to acquire Cibcoa Inc., a nationwide distributor of consumer electronics.

Under the terms of the agreement, Bergen Brunswig will pay Cibcoa an undisclosed amount of cash and notes. The closing will take place at the end of August.

Cibcoa's annualized sales volume totals about $80 million, while Commtron expects to have revenues in excess of $300 million when the fiscal year closes on Aug. 31.

"The combination of Commtron's expertise in prerecorded video tapes and Cibcoa's strength in consumer electronics should provide a convenient source for most of the requirements of the customers served by both companies," said Emil P. Martini Jr., chairman and ceo of Bergen Brunswig.

Hook's launches Mich. unit

INDIANAPOLIS — Hook's, the 303-store drug chain, has expanded its market area into Michigan. The chain recently opened its first in that state in a new strip center in downtown Niles, Mich., a community of 13,000, just five miles north of South Bend, Ind.

The new store, in the new state, is not the beginning of a grand plan for expansion into Michigan, but just "a logical extension of a market in which we already have seven stores. The new store just happens to be in a different state," said Hook's Tom Dingledy.

The 7,500-sq.-ft. store is a "typical Hook's prototype" and will be able to benefit from the South Bend's market's efficiencies in advertising and distribution.

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Revco launches Ohio scanning test

TWINSBURG, Ohio — Revco expects to launch its first "pure" in-store scanning test in the Cleveland area later this month.

The scanning test will probably be followed in five or six months with a one-store test of a full blown in-store computer integration system.

Both tests will initially concentrate on cost justification. Revco executives hope to break even on the scanning investments within six months to a year.

Revco has already had positive results from its test of scanning in its Get It For Less deep-discount drug stores, and the company has been receiving product-movement reports and other types of scanning data from the marketing research company Information Resources. Executives at I.R. have been monitoring and collecting product-movement data from scanners they installed in a handful of Revco stores. However, in the I.R. program, known as BehaviorScan, Revco does not own the scanners and does not control the program.

The scanning test will enable Revco's vp of systems Scott Leeseberg to tailor the scanner programs to Revco's needs.

The initial test will be very basic, using a price look-up system that will also capture product movement. Leeseberg expects results from the test to allow the program to be expanded to three or four stores "relatively quickly."

The computer store integration test will also be done in a store located close to Revco headquarters, but it will probably not be in the same stores as those testing scanners.

Over the past few years, Revco has gradually been replacing most of its cash registers with those that are upgradable to both scanning and store integration.

In the store integration test, a personal computer will link the front-end registers to Revco's main frame at headquarters. The intregration will enable Revco to automate a series of functions including direct store deliveries, inventory control, electronic mail, price updates, product deletions and additions and markdowns.

In the scanning part of the experiment, Revco will be using a combination of both slot scanners and hand guns. Leeseberg thinks that if scanning does justify its cost, the company will probably use a combination of both systems in future stores, but the test is also designed to see if one system is superior to the other.

Leeseberg does not expect to have to make any major design modifications in Revco's store layout to accommodate the slot scanner. It will probably just be incorporated into the counter or directly next to the front-end counter as it currently exists in Revco stores.

London steps up computer rollout, phase one of $20 million system

By Lou Karney

RICHMOND, British Columbia — London Drugs, the first Canadian drug chain to install checkout scanners, has installed them in 11 stores, with four more scheduled by November. The remaining nine stores will be completed by June 1986.

Scanners are the first step in London's five-year $17 million to $20 million long-range systems plan.

Currently, 55% to 60% of all items stocked are UPC-coded at the source. This represents 80% of merchandise sold. Of the remaining 40%-45%, all but 12%-15% are UPC-coded at the store, with the balance—accounting for about 7% of store sales—rung up manually.

London's checkout scanners are NCR T9020. At headquarters, a model I9020 telecommunications processor pulls sales and financial data from the stores at the end of each day and transmits the information to a Wang VS/100 for storage in a master file. The Wang is the storage center for merchandising, warehousing, accounting, and office functions.

Tied to the Wang in the main office are desk terminals for employees in all departments at all levels—executive, office, warehouse, accounting. Buyers use the Wang to generate purchase orders, while the warehouse processes receiving and shipments to the stores.

Eventually, London will install an in-store system which will pull together all existing and future systems in the stores, such as time/attendance, pharmacy, POS, and direct store delivery.

London is no stranger to store-level computerized systems—pharmacy terminals were installed eight years ago.

Pat Fisher, London's manager of information systems, told Drug Store News that the short-term priority of the program is to get improved merchandising information to buyers. Long-term, it is to build an improved management information system for executive and store-level management.

"We are in an increasingly competitive marketplace," says Fisher, "and we feel these systems will enable us to get the required information on time, as well as helping us keep a lid on support costs."

FINANCIAL

McKesson profits rise 21%, revenue up 19%

SAN FRANCISCO — For the first quarter of fiscal 1986 which ended June 30, McKesson Corp. increased revenues 19% to $1.4 billion, while income from continuing operations was up 15% to $16.9 million.

Operating profit increased by 21% to $44.5 million. The record results reflected strong performances by the company's Drug & Health Care, Beverage and Development groups, according to Neil E. Harlan, chairman and chief executive officer.

After deducting corporate expense and interest expense, which increased because of borrowings to finance the recent acquisition of Spectro Industries, pretax income rose 17% to $32.5 million from $27.8 million.

Harlan said the company's cash flow would enable it to reduce its debt quite rapidly and operating profit will drop to the bottom of the income statement.

Net income was $16.9 million compared with $15.4 million, a year earlier. The results last year included a profit of $691,000 or 3¢ a share from discontinued operations.

The company's Drug & Health Care Group, which accounted for 64% of first quarter revenues and 48% of operating profit, reported a 29% rise in revenues to $878.7 million and a 28% gain in operating profit to $21.5 million. The gains were led by the group's wholesale drug distribution operations, which now includes Spectro, acquired in May, and Johnson Drug, acquired last December. Drug Group results were adversely impacted by continuing losses by the group's 3PM unit, a developer of pharmacy computer systems.

Bindley net income up 14%

INDIANAPOLIS — Bindley Western Industries has reported that net income for its second quarter ended June 30 increased 14% to $1.4 million, up from $1.26 million for the same period in 1984. Earnings per share increased to 22¢ from 20¢ a year ago.

Sales for the second quarter were up 7% from the 1984 figures, to $142.8 million.

For the first half of 1985, the company's net income increased 17% to $2.66 million, up from $2.3 million. Earnings per share rose to 41¢ from 36¢ during the first half of 1984. Sales for the first two quarters totaled $296.9 million, up 12%.

Sales to fly in '85–Perry

MINNEAPOLIS — Perry Drug Stores chairman and ceo, Jack A. Robinson, told security analysts here that he expects his company to reach sales in excess of $515 million for the 1985 fiscal year ending Oct. 31. Just four months ago, he predicted sales of $495 million.

Robinson told the group of analysts and portfolio managers that he expects to exceed earnings per share of $1.50 for the year.

Discussing the third quarter which ended July 31, Robinson said sales will reach $140 million, 47% more than last year's $95 million.

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION				
		From 07/12/85 - 07/29/85							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin		Indicated Dvd. rate		Last X-Dvd. Date				Last Fiscal Year (Per Share)	
					Change		52-Week						Last Fiscal Year									Last Fiscal Year				
Name	Symbol	High	Low	Close	Amt	Pct	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days		Amt.	Pct			Latest P/E Ratio	Amt.	Yield		Revenue	Earnings	Current Ratio	Long Term Debt	Common Stock Equity
-	-	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	-	$	%	-	$ Mil	$ Mil	-	$	$
Chain Store transactions																										
Am Stores	ASC	67.00	61.00	61.88	-4.75	-7.13	67.50	35.25	-.24	-.69	.07	11.99	5.71	1.86 Q	49.7	34.0	1.5	11.0	.64	1.0	06-17-85	12118.8	185.5	1.2	37.93	21.40
Begley Co	BGLY	17.00	16.50	16.50	.00	.00	17.63	15.00	-.20	.37	.82	.00	1.26	-.07 F	-5.3	1.0	1.1	13.1	.72	4.4	04-15-85	66.1	.7	1.7	13.77	18.84
Big B	BIGB	16.63	14.25	14.63	-2.13	-12.69	19.50	10.38	-.55	-2.06	5.64	28.63	.68	.14 Q	25.0	11.0	3.0	20.9	.00	.0	09-21-83	148.1	4.4	2.3	1.20	4.58
Drug Sys	DRGS	5.88	5.50	5.88	.38	6.82	5.88	3.38	1.03	.44	5.35	5.99	.35	-.21 F	-37.5	NC	1.2	16.8	.60	10.2	05-09-85	104.7	1.3	3.0	1.28	5.84
Eckerd, Jack	ECK	27.75	25.63	26.25	-3.25	-11.02	32.88	20.00	-.46	.10	-.69	-16.77	2.27	-.03 N	-1.4	2.0	3.3	12.2	1.04	4.0	06-10-85	2622.5	85.4	2.0	2.52	16.47
Fay's Drug	FAY	10.75	9.38	9.50	-.88	-8.43	13.00	9.00	.05	-.70	1.05	7.81	.62	-.06 Q	-9.5	35.0	2.4	16.7	.20	2.1	06-24-85	366.7	8.7	1.8	1.65	4.28
Genovese Drug	GDX	12.38	11.63	12.00	-.13	-1.03	16.63	9.13	.14	-.27	-5.07	-11.70	1.03	-.13 Q	-12.7	37.0	1.9	13.5	.20	1.7	06-13-85	220.3	4.1	1.7	2.06	5.73
Longs Drg Strs	LDG	30.00	28.00	28.38	.38	1.34	31.13	19.50	.02	-.74	-3.63	-19.91	1.88	.18 Q	10.3	9.0	2.9	14.8	.72	2.5	05-29-85	1375.8	40.1	2.1	.00	12.23
Medicare Glaser	MGCO	5.00	4.50	4.75	.00	.00	7.00	3.50	.13	-.13	-5.74	-15.74	.05	-.38 F	-88.4	13.0	.2	95.0	.00	.0	00-00-00	81.7	.2	2.2	3.58	3.52
Perry Drug	PDS	21.38	20.13	21.38	.25	1.18	22.13	15.25	-.01	.70	3.12	-9.08	1.26	.10 S	8.8	12.0	2.1	17.2	.28	1.3	05-20-85	370.3	7.6	1.5	2.40	10.60
Revco Drug	RDS	25.00	23.50	24.63	-.38	-1.50	32.88	22.50	-.26	.50	1.60	2.52	2.54	-.45 N	-18.6	13.0	4.2	12.5	.80	3.2	06-10-85	2227.5	93.4	2.1	1.08	12.22
Rite Aid Corp	RAD	28.13	25.75	26.75	.63	2.39	33.50	22.00	.09	-.13	-2.08	-12.59	1.69	.08 Q	5.3	9.0	4.8	16.7	.50	1.9	07-12-85	1445.7	69.9	1.9	2.02	8.58
Thrifty Cp	TFD	22.00	19.88	20.50	-.88	-4.09	22.88	16.75	-.16	-.31	2.34	-1.07	1.40	.24 N	18.2	15.0	2.1	13.1	.60	2.9	05-06-85	1299.3	27.9	1.5	4.46	7.72
Walgreen Co	WAG	27.63	24.25	24.38	-2.00	-7.58	30.25	18.75	-.45	-1.53	1.82	-7.74	1.39	.20 N	15.0	20.0	3.1	15.9	.44	1.8	08-12-85	2744.6	85.4	1.7	.87	6.76
Wholesaler's transactions																										
Bergen Bruns	BBCA	32.38	30.75	30.75	-.38	-1.20	32.38	20.13	.23	-.29	-2.92	-13.36	1.57	.35 N	22.6	17.0	1.2	16.2	.32	1.0	07-26-85	1703.4	19.7	1.6	1.08	11.11
Bindley Wstn	BIND	13.00	11.25	11.25	-1.50	-11.76	15.00	9.38	-.66	-2.94	-2.15	-47.84	.73	.16 Q	26.7	23.0	.8	14.8	.00	.0	05-01-85	566.7	4.7	1.4	.08	5.46
Cardinal Distrb	CDIC	18.50	17.50	17.75	-.50	-2.74	18.50	10.91	.16	-.21	2.78	-39.69	1.01	.09 F	9.8	NC	1.2	17.6	.08	.5	06-25-85	320.0	3.7	1.8	.92	5.91
Durr Fillauer	DUFM	14.88	13.75	13.75	-1.25	-8.33	15.25	9.81	.17	-.12	-5.28	-34.81	.74	.15 Q	23.4	15.0	1.7	17.4	.14	1.0	07-01-85	341.7	5.8	2.3	1.21	6.05
McKesson Cp	MCK	48.38	46.63	47.13	-.13	-.26	50.00	35.75	-.08	.00	-2.80	6.84	3.60	-.07 Q	-1.9	-1.0	1.3	12.8	2.40	5.1	05-28-85	4887.1	65.0	1.5	12.99	30.40
Foxmeyer Cp	FXM	24.75	22.00	24.25	.38	1.57	29.75	21.00	-.44	.58	.72	-48.78	1.56	.29 F	22.8	24.0	1.3	15.5	.00	.0	00-00-00	717.1	9.0	2.8	17.31	16.51
Ketchum	KCH	21.00	18.38	19.13	-1.88	-8.93	23.88	13.00	-.70	.21	-5.55	4.26	.77	-.46 N	-49.5	NC	.3	40.7	.00	.0	09-24-84	245.1	.8	1.5	6.37	6.74
Owens & Minor	OBOD	23.75	22.75	22.75	-1.25	-5.21	24.25	12.00	.15	.13	-2.30	-32.65	1.43	.29 S	21.6	15.0	1.2	14.0	.40	1.8	06-10-85	306.7	3.6	3.0	8.02	12.81
Manufacturer's transactions																										
Abbott Labs	ABT	59.88	53.50	53.50	-5.75	-9.70	60.00	36.75	-.07	-2.20	-.25	26.26	3.34	.49 S	15.8	17.0	13.0	14.9	1.40	2.6	07-09-85	3104.0	402.6	1.9	3.91	13.33
Am Home Prod	AHP	66.25	61.13	61.13	-4.63	-7.03	66.88	46.75	-.09	-.69	.16	-.35	4.39	.31 S	7.3	11.0	15.1	13.5	2.90	4.7	05-07-85	4485.5	675.6	3.4	.26	13.74
Baxter Travenol	BAX	15.75	14.00	14.63	-1.13	-7.14	18.13	11.75	-.39	-.73	-2.08	6.61	1.03	-.40 S	-28.6	5.0	8.1	14.6	.37	2.5	09-09-85	1800.4	145.1	1.6	1.46	7.83
Block Drugs Co	BLOCA	38.00	37.50	37.50	-1.50	-3.85	40.50	25.72	.23	-.04	-5.06	-51.39	3.48	.30 F	9.4	12.0	10.5	10.8	1.00	2.7	06-11-85	247.8	25.9	2.4	3.28	22.47
Bolar Pharm	BLR	44.75	40.50	41.50	-1.25	-2.92	45.25	22.30	.32	-.41	-2.42	-33.81	1.22	.15 Q	12.9	24.0	18.2	31.7	.05	.1	02-08-85	29.1	5.3	7.5	.00	7.41
Bristol-Myers	BMY	66.50	60.63	60.75	-4.25	-6.54	66.50	43.63	.03	-.86	1.00	12.35	3.45	.41 S	12.7	14.0	11.3	16.6	1.88	3.1	06-28-85	4189.4	472.4	2.5	.75	15.63
Carter-Wallace	CAR	46.63	42.25	45.88	3.88	9.23	46.63	22.00	.47	.87	-2.86	-8.15	2.66	.38 Q	15.3	20.0	5.9	16.0	.60	1.3	07-26-85	348.8	20.7	2.2	1.53	23.37
Forest Labs	FRX	31.38	27.00	27.00	-3.13	-10.37	32.50	12.13	-.16	-1.99	-2.49	-12.40	.73	.19 F	35.2	15.0	16.3	37.0	.00	.0	01-14-83	25.8	4.2	8.3	.28	5.42
ICN Pharm	ICN	11.38	9.75	9.88	-1.00	-9.20	12.25	7.13	-.02	-1.99	-1.18	30.22	.00	-.09 S	-47.4	NC	1.6	98.8	.00	.0	00-00-00	44.8	.7	3.0	2.43	4.50
Key Pharm	KPH	12.75	10.00	12.13	1.63	15.48	17.13	8.00	.75	1.03	2.75	-10.19	.61	.06 Q	10.9	63.0	14.6	19.9	.20	1.6	06-10-85	151.1	22.1	2.1	1.16	1.67
Lilly Eli Co	LLY	89.75	83.88	84.38	-4.88	-5.46	90.38	54.88	-.04	-.60	-.99	13.70	6.73	.48 S	7.4	9.0	15.8	12.0	3.20	3.8	08-09-85	3109.2	490.2	1.7	1.63	31.04
Lee Pharm	LPH	7.88	6.50	6.75	-.75	-10.00	9.63	2.13	1.20	-.76	-.71	16.77	.13	.58 S	NE	NC	6.2	28.1	.00	0	00-00-00	8.1	.5	3.0	.20	1.73
Marion Labs	MKC	37.25	35.25	36.50	.75	2.10	39.75	18.00	-.03	.26	-2.94	-22.01	.94	.32 F	51.6	34.0	12.2	38.8	.28	.8	06-14-85	295.7	36.2	2.4	.02	3.52
Merck & Co	MRK	117.25	112.13	112.50	-2.75	-2.39	117.25	79.75	-.02	-.66	-1.37	8.69	6.71	.63 S	9.9	5.0	13.8	16.1	3.20	2.8	06-03-85	3559.7	493.0	2.0	2.48	35.29
Morton Thiokol	MTI	38.00	34.13	34.25	-2.88	-7.74	38.00	25.25	.31	.28	-1.95	28.27	2.16	1.89 N	93.1	25.0	5.5	8.7	.64	1.9	05-24-85	2001.5	109.8	1.5	2.94	12.50
Mylan Labs	MYLN	26.00	20.38	22.00	-3.50	-13.73	26.00	10.38	-.24	.37	1.51	-32.96	.52	.28 Q	100.0	58.0	23.3	39.3	.05	.2	02-19-85	53.6	12.5	5.9	.09	1.22
Newport Pharm	NWPH	11.75	9.88	11.38	.63	5.81	12.00	3.25	.04	3.69	4.28	26.80	-.21	.17 N	NE	NC	-26.0	NM	.80	7.0	05-23-85	7.7	-2.0	2.6	.22	.93
Pfizer Inc	PFE	53.75	47.25	47.25	-4.75	-9.13	53.75	33.75	.04	-1.52	.62	19.86	3.08	.39 S	13.5	15.0	13.2	14.4	1.48	3.1	07-26-85	3854.5	507.9	2.3	2.10	15.45
Reid Prov Labs	REID	6.38	5.63	5.88	-.38	-6.00	6.63	2.88	-.10	.44	-4.71	3.08	.12	-.08 N	-40.0	30.0	6.7	49.0	.04	.7	12-10-84	13.4	.9	3.1	.02	.92
Robins, AH	RAH	19.13	10.00	10.63	-8.38	-44.08	24.38	10.00	-.53	-16.02	11.22	24.45	-18.44	-20.58 Q	-100.0	NC	-73.0	NE	.00	.0	11-19-84	631.9	-461.6	1.7	.47	-5.23
Rorer Group	ROR	36.88	33.63	35.13	.25	.72	37.38	24.00	-.10	-.05	-3.26	-18.88	2.08	.00 Q	.0	5.0	8.5	16.9	1.12	3.2	08-05-85	522.1	44.3	1.9	2.18	11.07
Scherer RP Co	SCHC	13.00	11.50	12.63	1.00	8.60	13.00	8.63	.47	.23	1.33	-10.96	-.43	-.95 F	-100.0	NC	-2.0	NE	.32	2.5	06-12-85	167.4	-3.4	1.9	4.83	11.14
Searle, GD	SRL	64.50	57.25	64.50	5.88	10.02	65.50	45.75	.69	.38	8.82	.31	3.24	.09 S	2.6	13.0	13.0	17.9	1.00	1.6	05-07-85	1245.8	161.6	2.1	3.46	17.37
Squibb Corp	SQB	72.88	68.63	69.63	-2.50	-3.47	72.88	45.00	.61	-.19	-.78	-7.56	3.68	.41 Q	12.2	15.0	10.5	18.5	1.76	2.5	05-13-85	1886.0	197.2	2.3	3.74	24.87
Sterling Drug	STY	33.00	31.00	31.00	-1.50	-4.62	34.25	24.88	.01	-.62	.33	-21.16	2.37	.14 S	6.1	4.0	7.8	12.7	1.20	3.9	04-30-85	1827.3	143.4	2.6	1.32	15.34
Syntex Corp	SYN	65.63	61.38	61.63	-3.38	-5.19	65.63	41.88	-.08	-.97	-2.40	-20.14	4.08	-.27 N	-6.2	15.0	14.7	15.0	1.92	3.1	05-13-85	916.5	134.6	2.1	5.36	18.81
Thompson Med	TM	16.38	15.50	15.50	-.63	-3.88	24.63	13.25	-.04	.23	.87	-35.29	2.20	-.67 S	-30.7	22.0	10.8	10.3	.40	2.6	06-25-85	197.2	21.2	4.3	.00	7.09
Upjohn Co	UPJ	121.75	111.50	111.75	-8.75	-7.26	122.50	50.13	.35	-1.39	.31	11.37	5.67	-.69 Q	-11.7	.0	8.0	21.4	2.56	2.3	04-01-85	2179.1	173.3	1.7	12.47	37.00
Warner-Lambrt	WLA	46.50	38.00	39.13	-5.88	-13.06	46.50	30.50	-.09	-3.89	6.49	15.44	2.81	.28 Q	10.7	5.0	7.1	13.5	1.48	3.8	05-06-85	3166.7	223.9	1.7	6.47	18.18
Zenith Labs	ZENI	29.50	24.88	24.88	-2.63	-9.55	29.50	5.09	.73	-1.72	2.65	-22.66	.28	.26 Q	118.2	92.0	7.7	51.8	.00	.0	06-19-85	37.5	2.9	2.6	.27	1.99

All data is based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Footnotes:

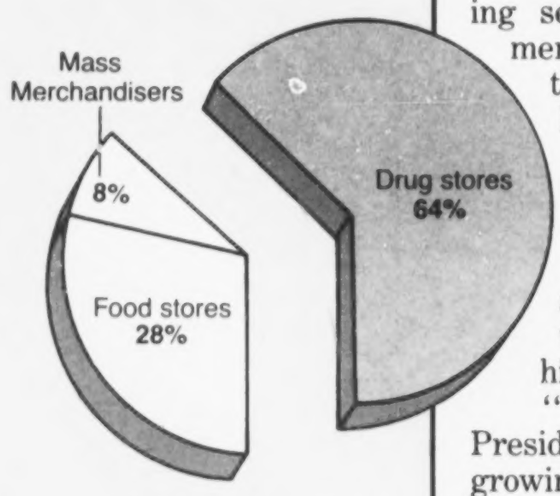
NA - Not Applicable
NC - Not Calculable
NE - Negative Earnings
NM - No Meaningful Figure
Q - First Quarter
S - First 6 Months
N - First 9 Months
F - Fiscal Year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

MERCHANDISER

Bulk laxative sales grow, but stimulants lead

Drug stores win top shares of laxative market



Source: A. C. Nielsen, 1984

Bulk is big, fiber is essential and the bulk laxative industry has a new hero-President Ronald Reagan.

"Hail to the chief, for he bringeth attention to a growing segment of drug store merchandising," could be the new battle cry for the high fiber bulk laxative industry. The President's recently diagnosed colorectal cancer has brought renewed attention to the potential health benefits of a high fiber diet.

"The news about the President, combined with the growing health consciousness of the public, has helped the bulk laxative segment tremendously," said Raymond Freeman, a buyer for Jackson, Miss.'s Southwest Drug chain. "Just in the past couple of weeks, I've noticed an increase in the sale of the bulk fibers."

Fiber-based, bulk forming laxatives are this year's stars in the laxative category. Sluggish sales increases have haunted the category the past several years. But now, with the new packaging, new flavors, snack-style line exten-

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Antacids remain 'profit center'

Drug stores once again led all other retailers in the market place in the sale of antacids.

Last year, according to A. C. Nielsen, drug stores accounted for 50% of the dollar volume in the $700 million industry. Food stores were next with a 42% share, and mass merchandisers were far behind with 8% of the market.

The 8.7% growth rate of the antacid sections in chain drug stores last year came mainly from inflationary growth and not unit movement.

"Antacids have been a good profit center for us in the past," said Begley's Dennis Osborne, "Even though there appears to be a decline in the user base, department margins in the low 30% range makes it an important category for us."

Osborne, and most of the other buyers *Drug Store News* talked with, sees nothing dramatic happening, or about to happen, in the antacids department, Stephen Lund of Perry's predicts the category will stay somewhat static. "It doesn't look like it has much growth potential because when a new product does come out, it grows at the expense of the older products, so all we're getting is a user shift within the category."

On the other hand, Raymond Freeman, a buyer with the Southwest Drug store chain in Jackson, Miss., sees his antacid section on an upward swing. "It's a growing category for us," he said. "I think the faster life style and the hustle and bustle of everyday life contributes to upset stomachs and gas. In turn, there's a greater demand for products."

Whether they agreed on its growth potential or not, the buyers all agreed that the category in general has lacked some pizazz in recent years.

"It's still profitable, but it's not a very exciting category anymore," said a spokesman for Maalox. "In fact, it's been somewhat boring lately."

The spokesman was referring to the fact that while most drug store categories have super star products or promising rising stars, the antacid section has been void of innovations for several years.

Unlike the neighboring laxative department that's having a good year with bulk-fiber laxatives, there are no real runaway products in the antacid section. The Maalox products hold down a 16.5% share; Mylanta, 12.3%; Pepto Bismol liquid, although not a true antacid because it doesn't neutralize acid, holds a 12% share in the category; and Riopan holds a 3.6%. All others, including Tums and Rolaids, account for 51.1%.

Liquid antacids have recently become more consumer directed than ever. "It's been a slow evolution over the past five years," said the Maalox spokesman. "Five years ago, the three products that are now leading the industry weren't promoted to the consumer at all. They were strictly ethical products."

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Drug stores take half of antacid market

Source: A. C. Nielsen, 1984

MERCHANDISER

Bulk laxative sales grow, but stimulants lead

Continued from page 15
sions and repositioning of some of the products, new life has been added to the department.

Drug stores account for about 64% of the total $500 million laxative market, of which bulk laxatives are the fastest growing segment and currently account for about 30% of the category.

In chain drug stores, laxatives, as a part of the proprietaries department, grew 5.2% last year, accounting for about 6.5% of the department's total revenues. So far this year, according to several drug store buyers, the category is growing at about the same pace.

"The bulk-forming laxatives are doing well, but the stimulant varieties are still the sales leaders in the category," pointed out Stephen Lund, a buyer for Perry. "While the stimulant segment is holding its own, the new bulk products are bringing added sales into the category."

In the traditional laxative area, "Fleet enema is by far the unit movement leader," said Lund, "and our private label and Ex-Lax are the leaders among the stimulant types."

Dennis Osborne, a buyer at Begley, agrees that "bulks are steadily increasing their market share within the laxative category."

As the health aspects of fiber and bulk are publicized, Osborne sees the segment growing even further. "People are buying the bulk forming laxatives as a fiber supplement, and not solely as a laxative," he said.

The fiber that forms that bulk in most of the products is the hulk and seed from the Psyllium plant, grown primarily in India.

"Calling these high fiber products laxatives is really a misnomer," said Bill Steiber, sales and marketing director for Lafayette Pharmacal, makers of Konsyl. "They are really bowel normalizers that work equally well on diarrhea and constipation."

Steiber pointed out that his products, Konsyl and Konsyl-D, as well as the other products in the category, are not used for quick acting relief of constipation as the stimulant type laxatives are. "We make it clear that several days' use will probably be needed to establish reglarity. In fact, these products should be used on a daily regimen to work effiectively."

One Midwest pharmacist, after observing and talking with shoppers in his store, concluded, "It appears that bulk-forming products appeal more to the person who wants to prevent future problems."

Even with the publicity bulk fiber products are getting, the old standbys remain important in the drug store product mix. "Sure, fiber is big now and the price point is much greater, but we are still doing great numbers with Ex-Lax and Correctol," claimed Osborne.

Fad or just a healthful approach to one's diet, the bulk laxative is an emerging and important segment of the category. "The funny thing," one buyer commented, "is that Metamucil has been around for about 50 years and really had no major competition. Now it seems everybody is getting into the bulk laxative area."

Industry sources all agree that Metamucil controls "at least" 75% of bulk laxatives.

Originally, manufacturers of most of the bulk laxatives shied away from consumer advertising, and relied solely on doctor and pharmacist detailing, as well as some limited trade advertising. Now, most of the major products are being featured in consumer print advertising as well as some TV promotion.

On the retail level, many buyers said that their chains were somewhat hesitant to advertise and promote laxatives in the past because of the lower price points on most of the stimulant variety laxatives. Now, with the popularity of the bulk fiber variety, the same margin of 30% to 35% exists, but the higher price points make it more feasible to promote and give in-store display space.

"We've been promoting the bulk laxatives quite heavily," said Perry's Lund. "Primarily because of their current popularity and because of their higher price points, they've become quite a promotional item for us."

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